

## Chapter 11: RECOMMENDATIONS

This report to the Legislature lays the foundation for on-going discussion about the financial return to the various beneficiaries from the management of the federally granted trusts.

The Department of Natural Resources has met or corresponded with representatives of all the beneficiaries in the development of this report. The department is grateful to the many beneficiaries who took the time to read and comment on the draft report. Where appropriate, their comments have been incorporated into this report; these changes have greatly improved the final product, contributing greatly to its content and clarity. In addition, some of the beneficiaries have provided written and verbal recommendations for this section of the report. We anticipate that others may provide input after the report is published. The department will publish an addendum to the report if appropriate.

During the development of this report to the legislature, the department has identified some recommendations including areas for further study. This section incorporates those recommendations with the responses from beneficiaries.

We recommend that:

- I) Funding be made available to determine the current value of all trust assets managed by the department.
  - a. This valuation will be used as a base for trust asset performance.
  - b. This valuation will serve as a basis for measurement, guidance and performance of asset diversification plans for each trust.
  - c. The department should update the valuations periodically, once every two to four years.
- II) Funding be made available to evaluate the economic, social, and environmental returns to the citizens of the state from the “multiple use” benefits of trust lands that occur collaterally to the returns to the financial beneficiaries.

- III) Based on the results of I and II above, the department together with beneficiaries develop a prudent asset diversification plan for each trust that will increase expected financial returns while reducing risks to beneficiaries.
  - a. The department and beneficiaries should develop diversification goals and strategies to present to the Board of Natural Resources (board).
  - b. The department should develop a tracking mechanism to monitor these diversification plans for approval by the board.
  - c. The board should insure that all trusts are treated equitably in the diversification plans and that no asset should be disposed of or acquired unless to do so is in the best interest of the effected trust(s).
- IV) The state should evaluate the constitutionally mandated 160 acre parcel size limit for land sales to determine whether this limit or any other acreage limit unnecessarily restricts appropriate diversification of the trust assets; or whether this or other size limit protects the trusts from diminution as a result of large parcel discounts on sales.<sup>43</sup>
- V) The department engage in multiparty facilitated land exchanges and grouped land transactions to accelerate the rate of diversification and reduce cost where to do so is in the interest of the effected trust(s).
- VI) Funding be made available to investigate a wide array of potential future markets for trust assets that could result in increased revenues to beneficiaries. These markets might include, but are not limited to:
  - a. Markets for carbon credits.
  - b. Development of transition and urban trust lands independently or as joint ventures.
  - c. Authorize the department to enter the field of value-added wood processing such as log sort yards and wood processing.
  - d. Develop alternative renewable energy sources such as wind generation.

The department respectfully submits these recommendations along with this report as requested in the 2002 Supplemental Capital Budget for the legislature's consideration. We look forward to working with the trust beneficiaries and the legislature on the next steps in increasing revenues to the beneficiaries from the trust assets managed by the department.

---

<sup>43</sup> Constitution of the State of Washington - Article XVI, Section 4.